Projecting SSDI Program Growth

David Autor, MIT and NBER

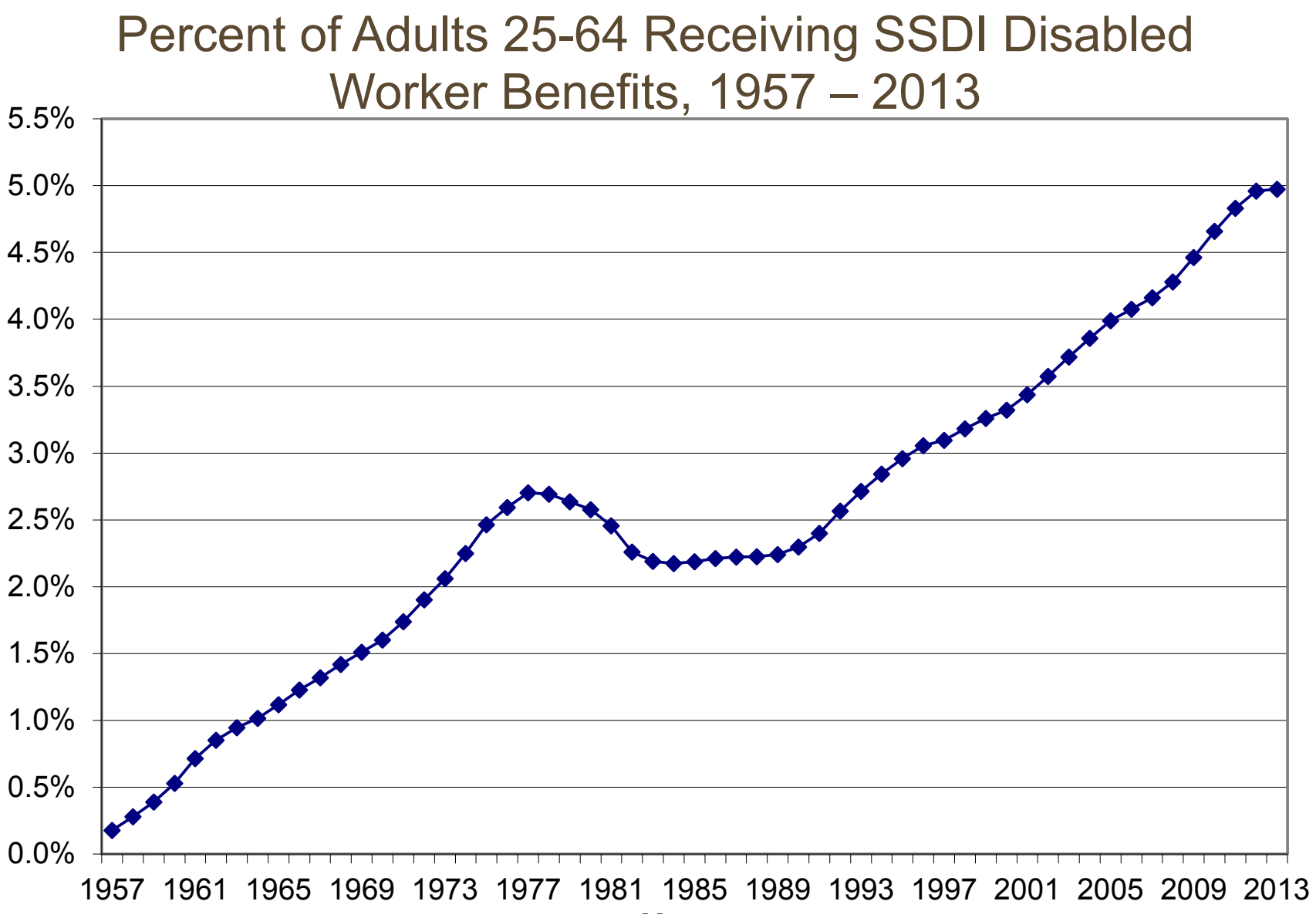
SSAB Technical Panel on Methods and Assumptions

February 13, 2015

Agenda

1. The long running debate about sources of SSDI program growth
2. Reviewing past projections in detail
3. Some key sources of uncertainty

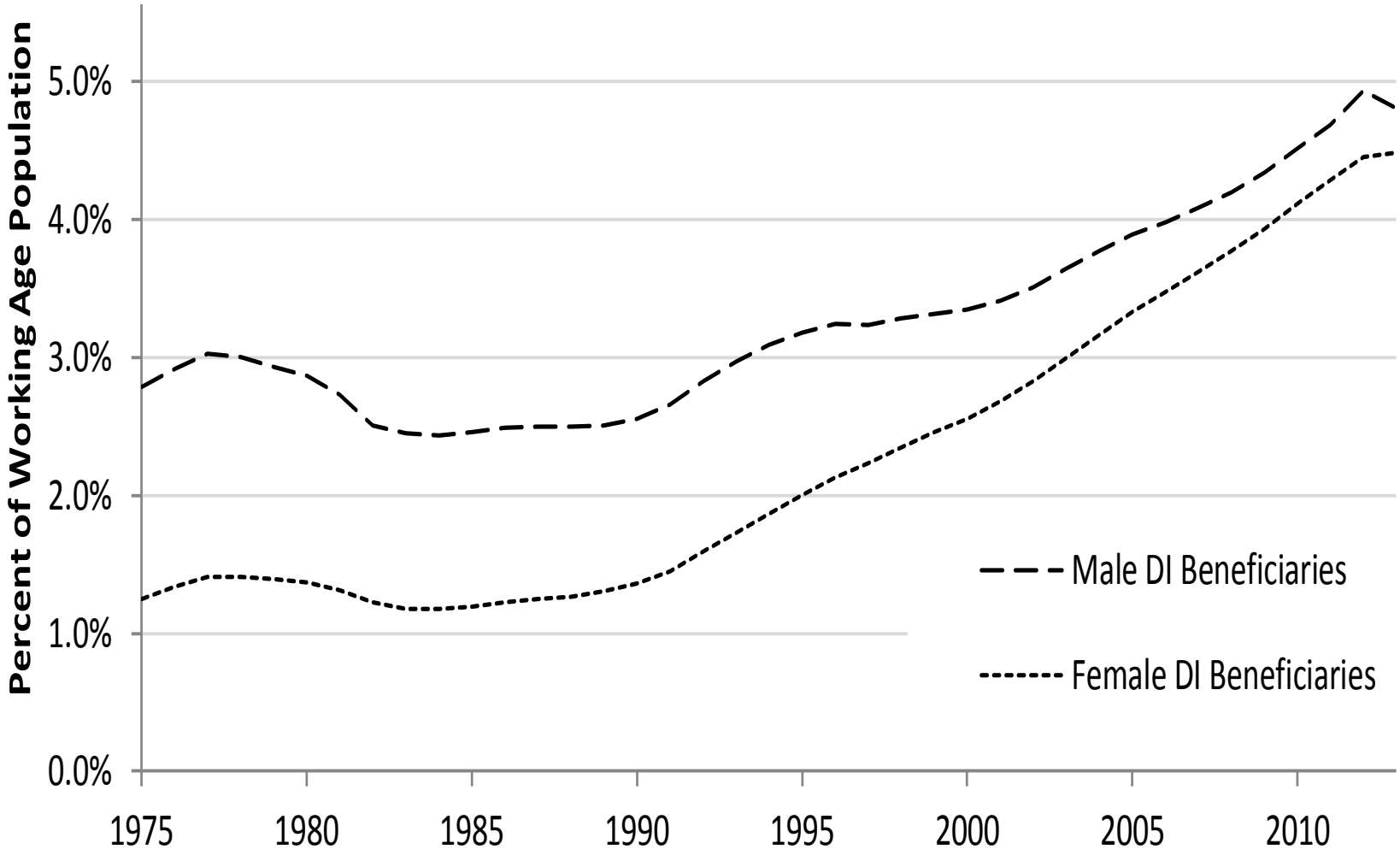
The Long Running Debate on SSDI Program Growth



Mark Duggan, Senate Testimony, Feb 11, 2015

The Long Running Debate on SSDI Program Growth

Percent of Adults 20-64 Receiving SSDI Disabled Worker Benefits by Sex, 1975 – 2013

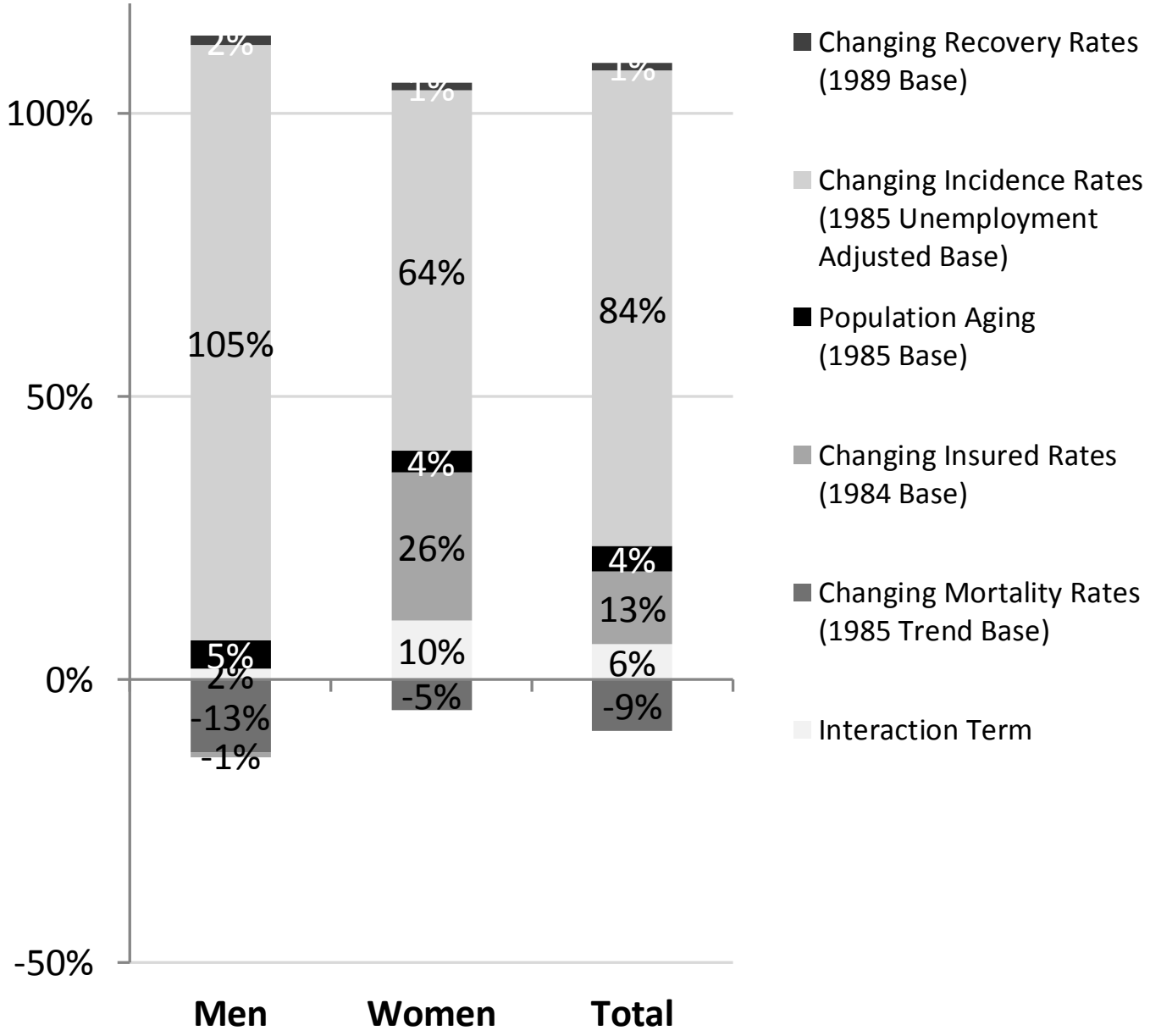


Jeffrey Liebman, *JEP* forthcoming, 2015

The Long Running Debate SSDI Program Growth

- What caused the three-decade, 1985 – 2015, rise in SSDI prevalence?
  1. Aging Baby Boom cohorts?
  2. Rising SSDI claims incidence (screening, labor market, health)?
  3. More women working?
  4. Declining mortality?
- Arguably we at least have a clear three-part answer
  1. From 1985 to 1995, almost all due to *rising incidence*
  2. From 1995 forward, largely due to *aging population* at new higher incidence rates
  3. For women, *rising insured rates* also consequential

Decomposing Growth in % of Adults Receiving SSDI, 1985 – 1993



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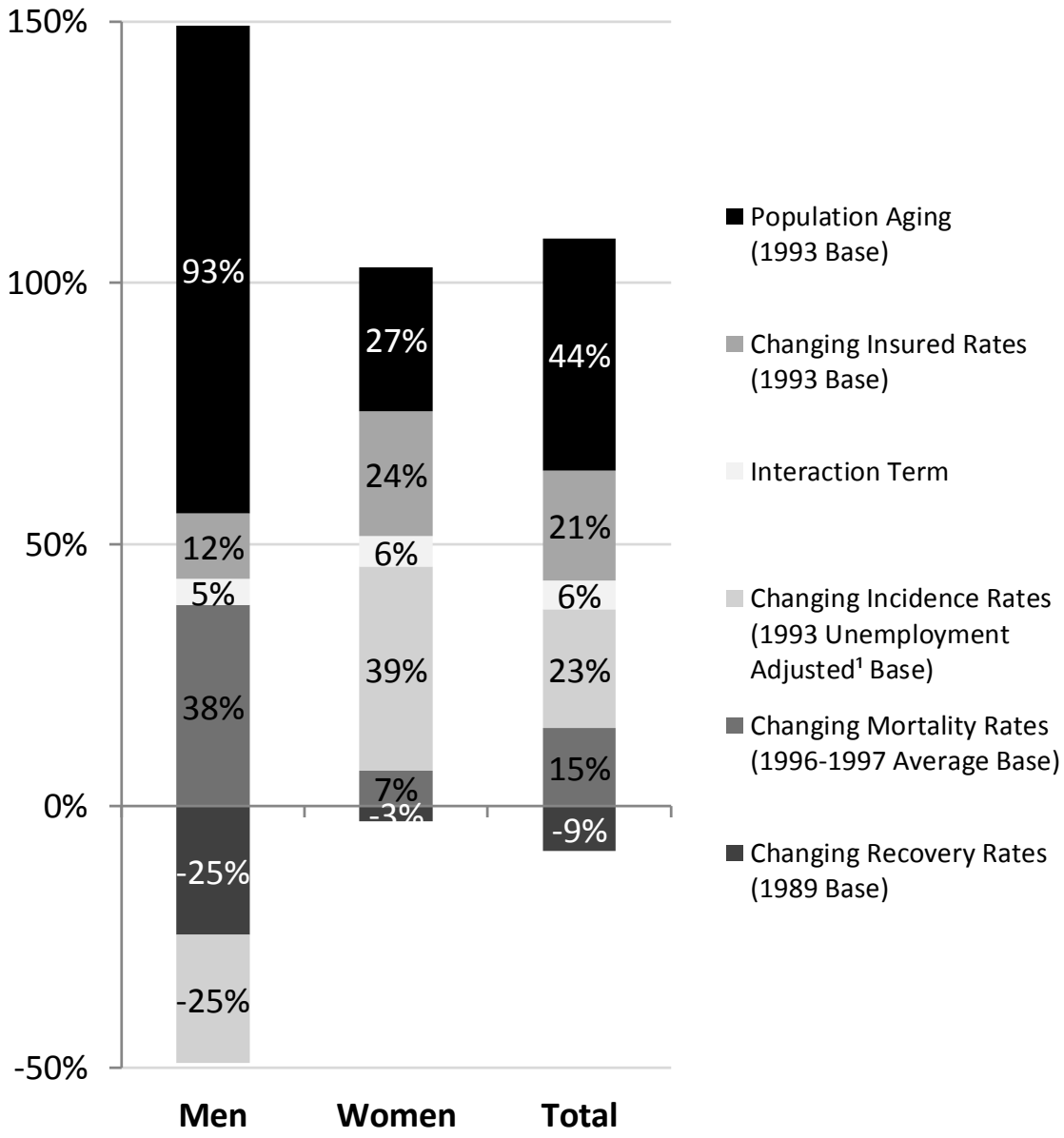
Decomposing Growth in % of Adults Receiving SSDI, 1993 – 2007



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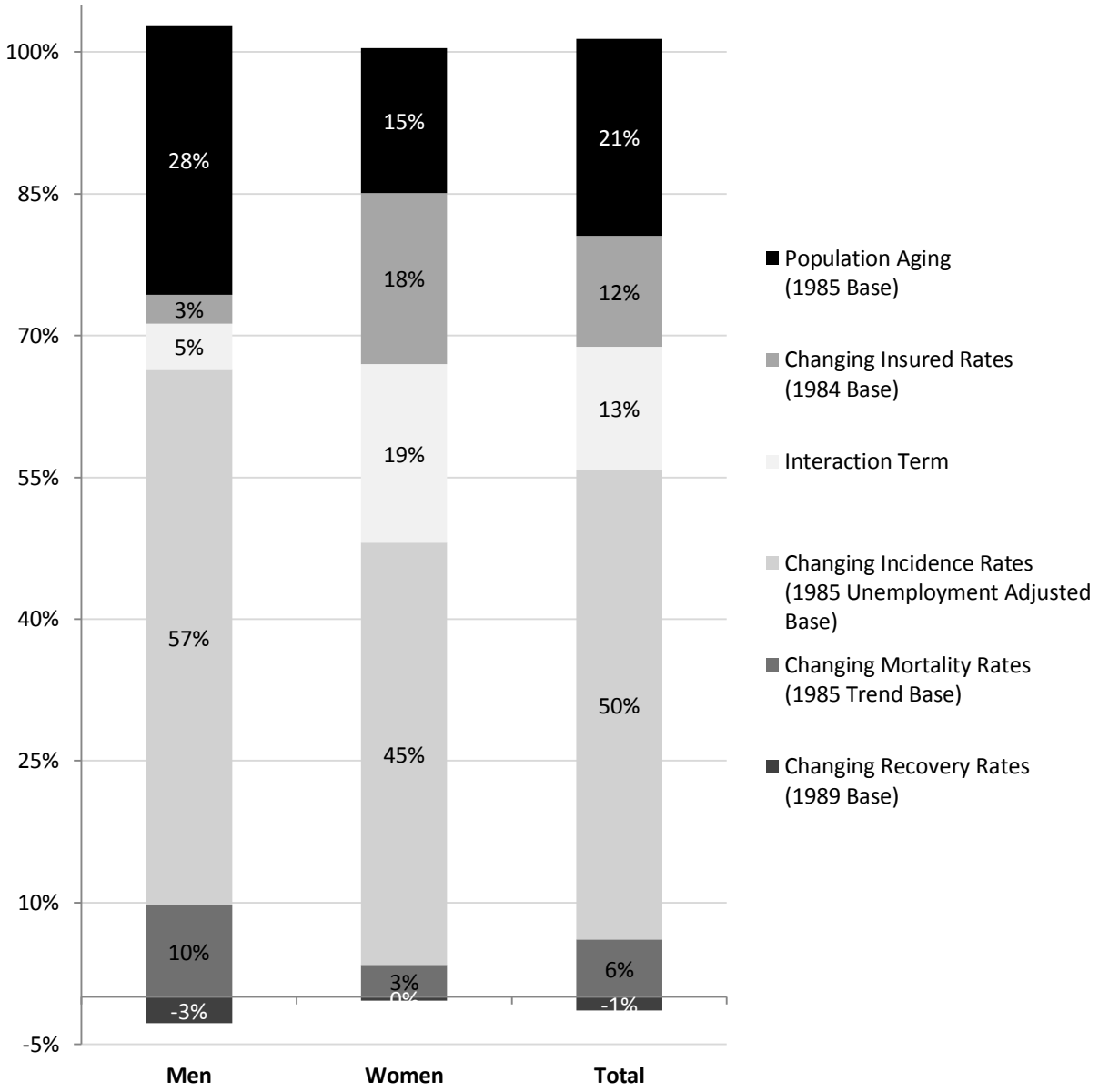

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The Good News

- Sources of SSDI growth have largely run their course
  1. Incidence jump 1985 – 1995 has stabilized at higher level: Now largely 'baked in' to size of program
  2. Aging pressure falls as Baby Boomers reach FRA – though concerned about substitution between OAS and SSDI
  3. Women's SSDI incidence has almost 'caught up' with men's, and women's rising insured rate is near plateau
  4. Falling insured rates for males due to declining LFP will *slow* program growth – ironic flipside of earlier economically induced rise in low-skill male incidence
- SSDI close to 'new normal' with 19% structural deficit
  - [Insert joke about Soviet history]

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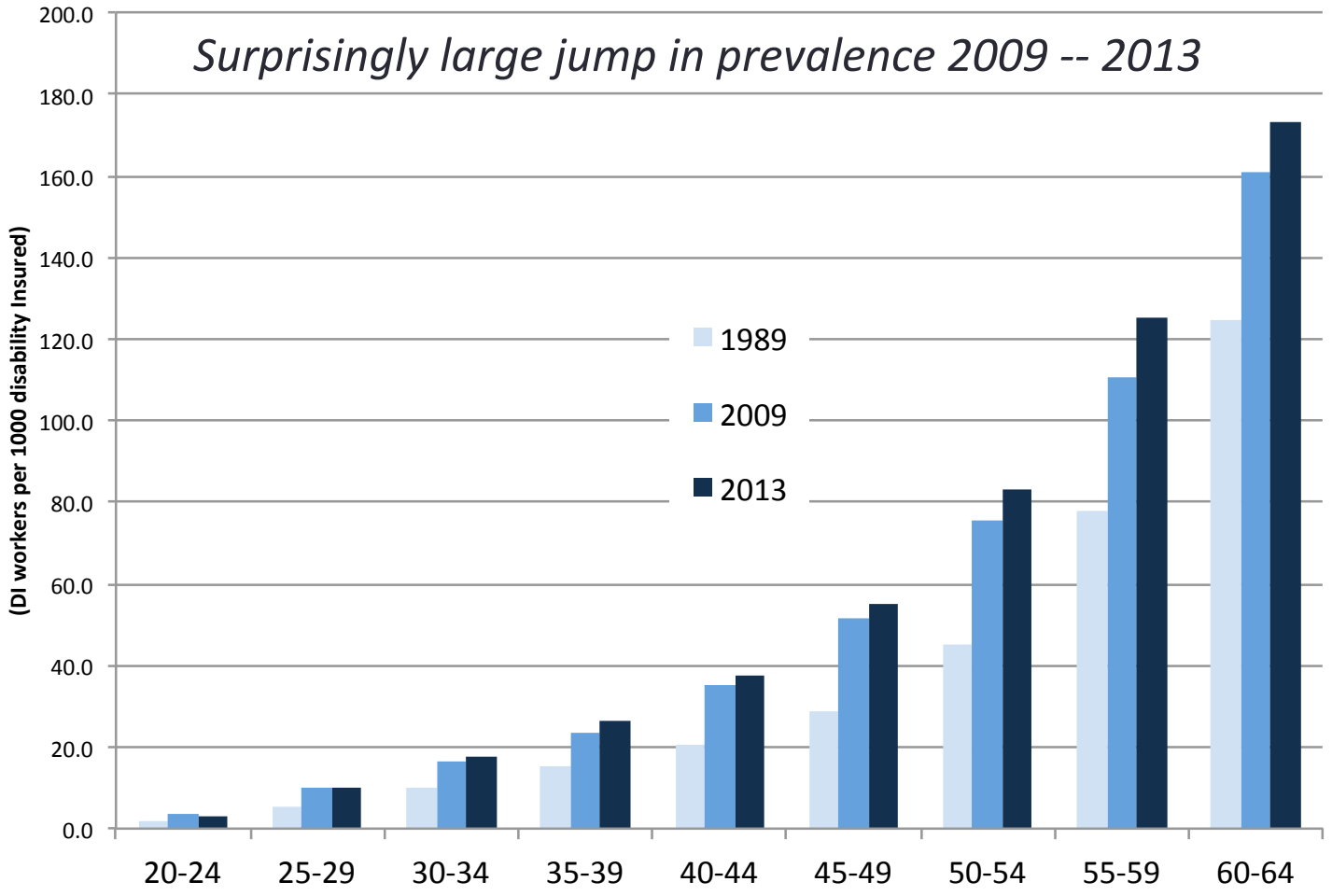
Previous TP Recommendations on SSDI

I. A-6: Raise age-adjusted incidence projections
II. A-7: Assume more rapid declines in mortality between 2020 and 2030
III. A-8: Reduced assumed SSDI recovery rates
IV. M-9: Explain assumed steep decline in SSDI insurance rates among males
V. M-10: Consider effects of changing diagnoses (mental, musculoskeletal) on recoveries, deaths
VI. P-5: Present underlying assumptions on economic drivers of program growth

I. A-7: Raise age-adjusted incidence projections

Fig 35 updated: DI prevalence by age group, all adults: 1989, 2009, 2013



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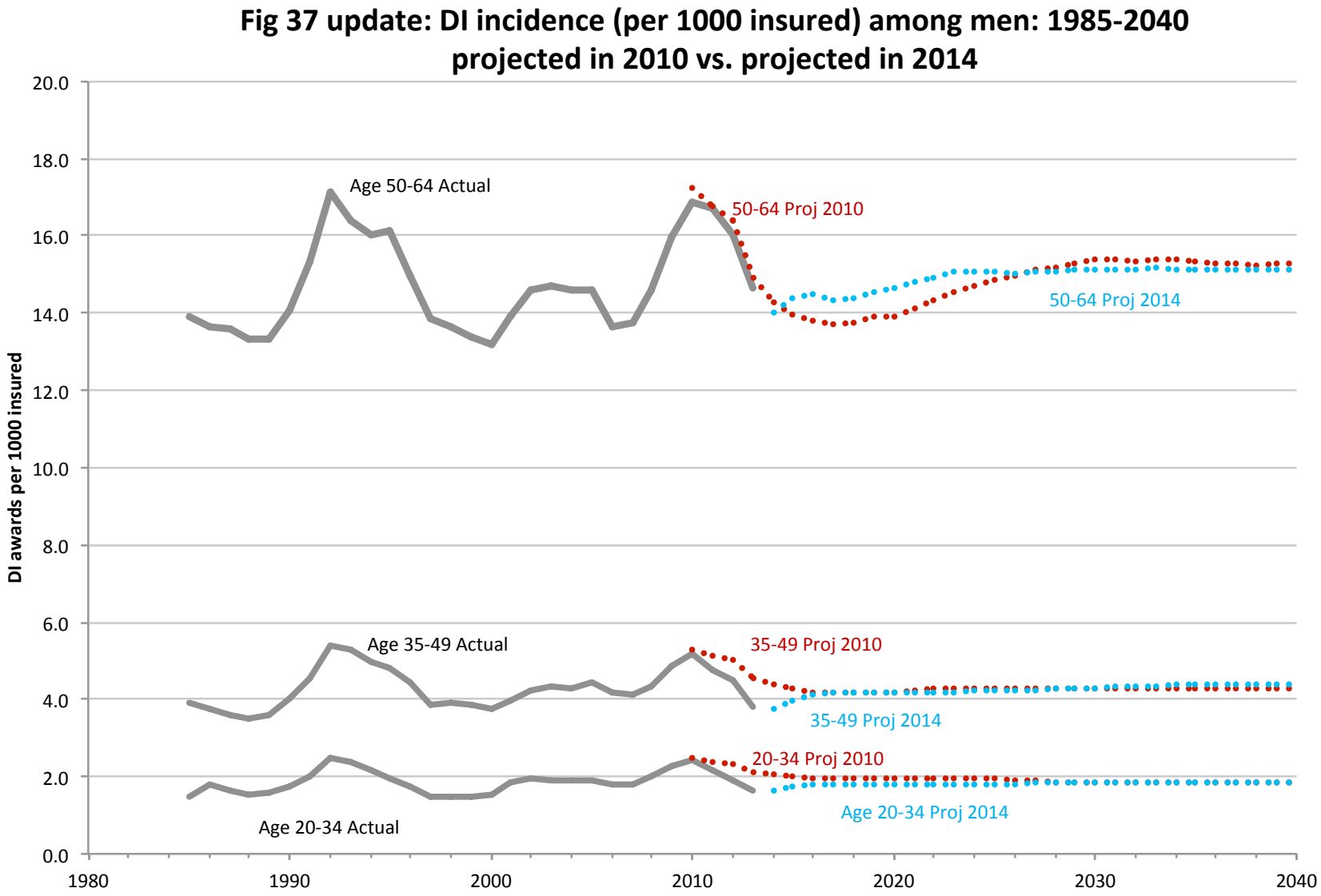

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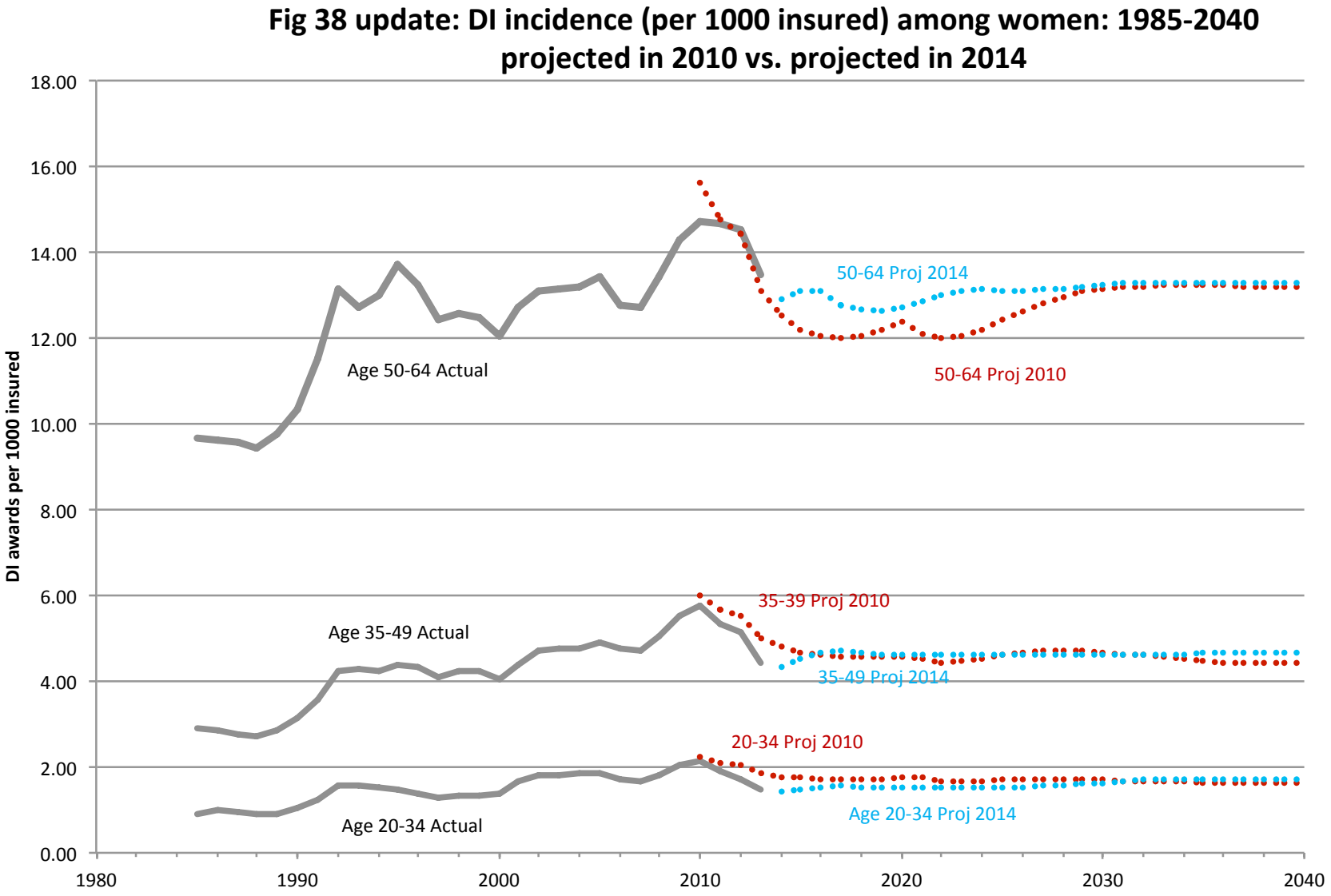

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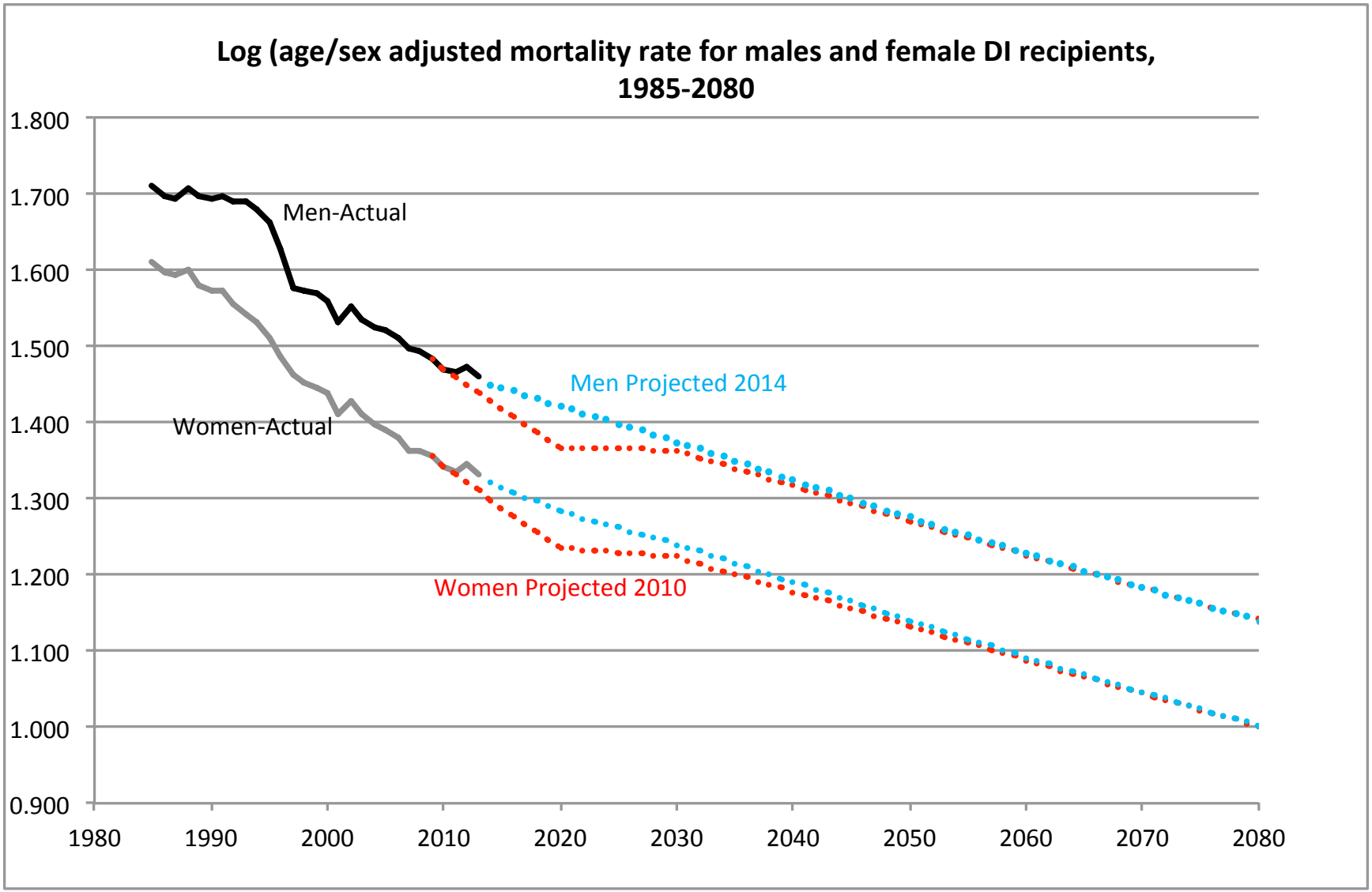

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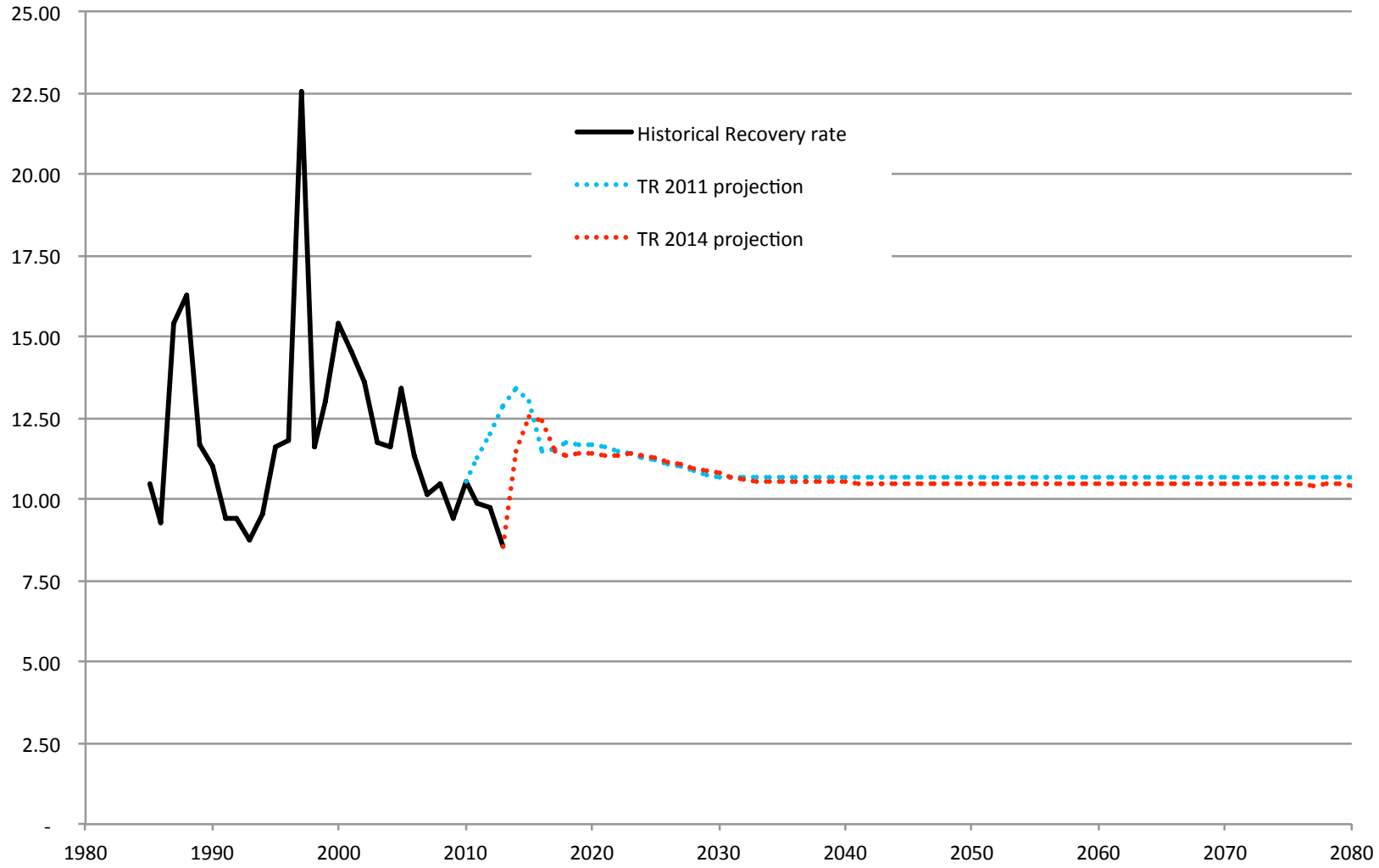
III. A-8: Reduce Assumed Recovery Rates

Figure 43 updated: Age sex adjusted recovery rate (per 1000 DI recipients)



OCACT projections assume full funding of CDRs, but this has Not Occurred

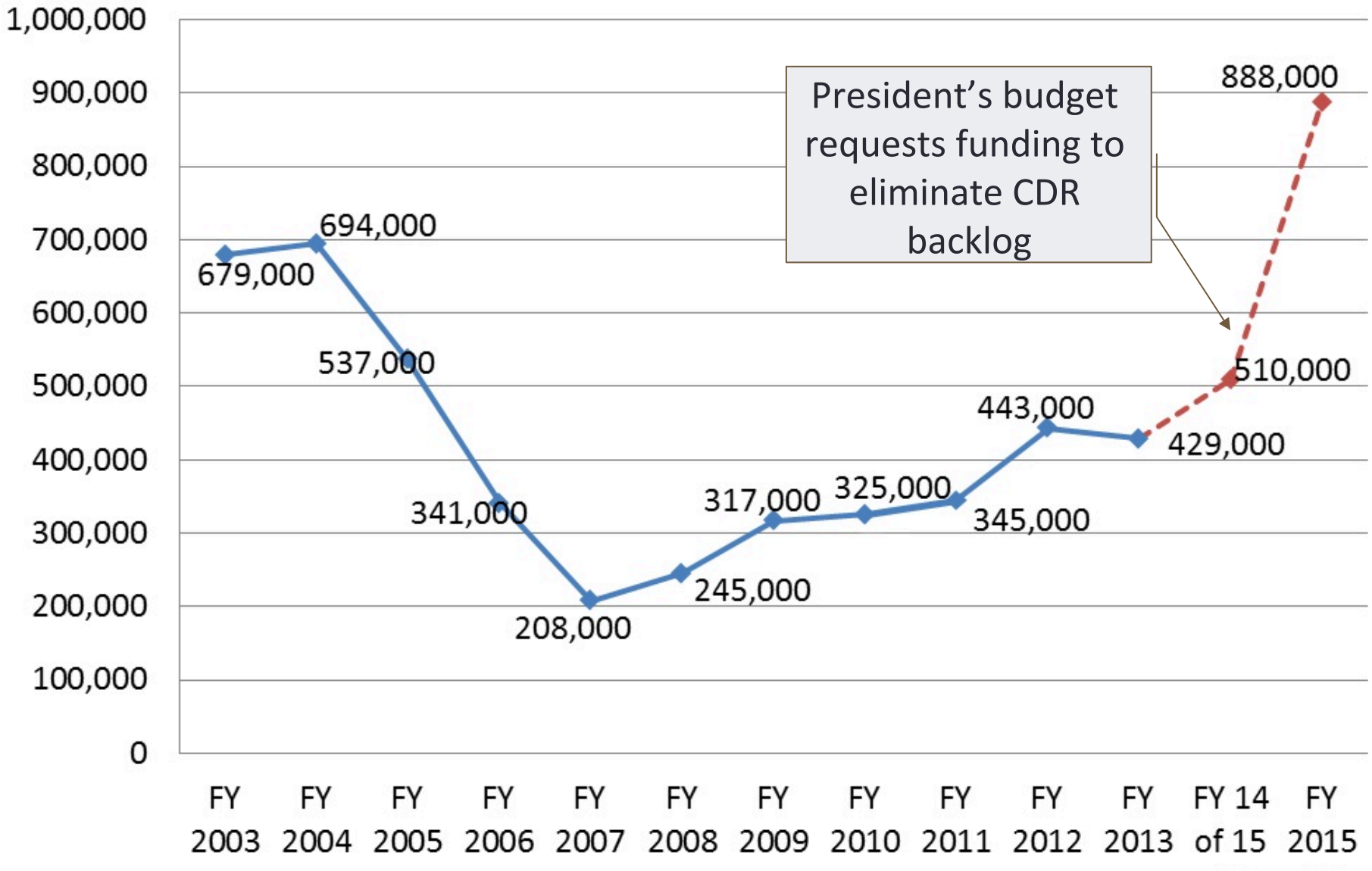


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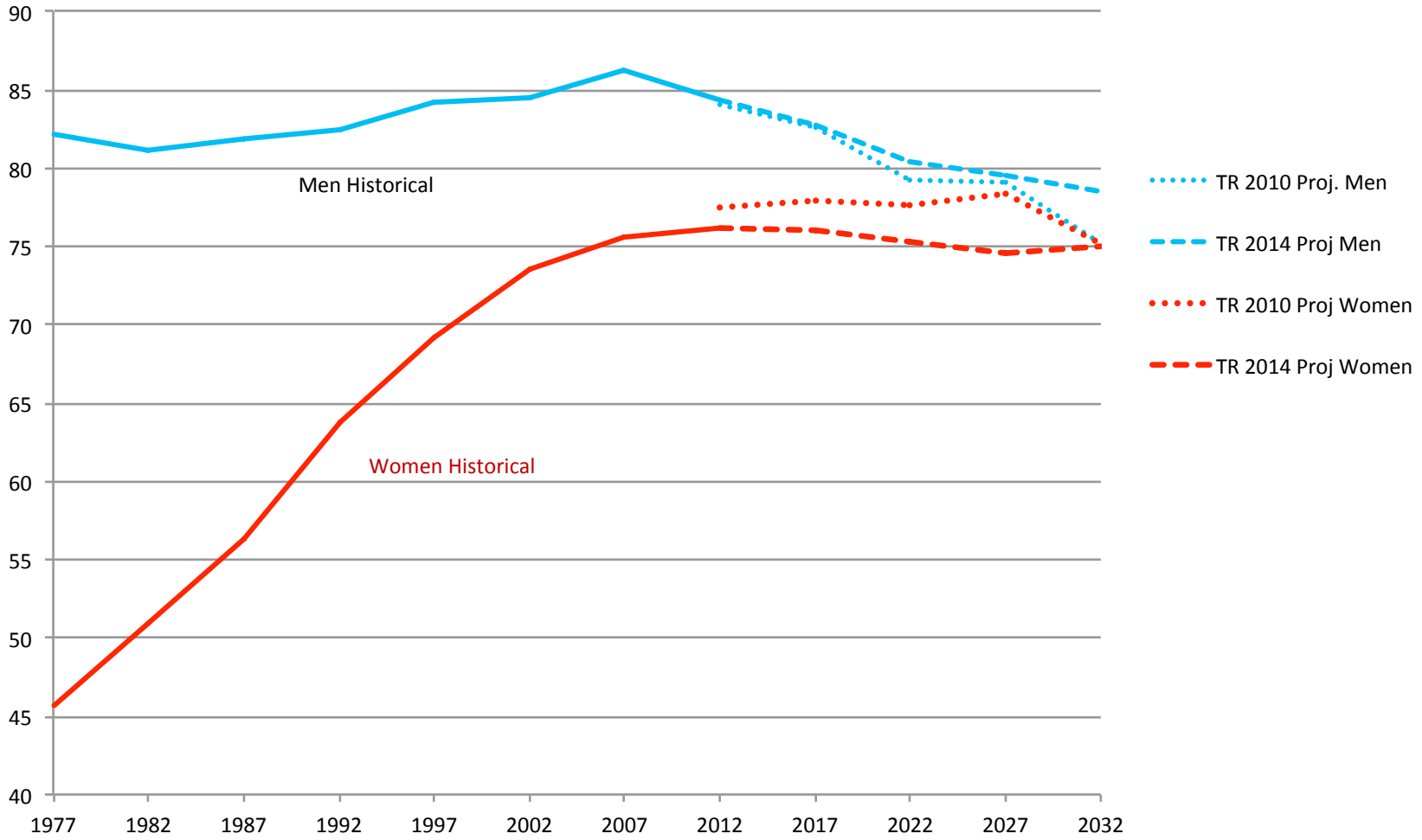
Fig 36 updated: Percentage insured for DI, Men and Women, Ages 50-54: 1977-2032, by year of projection: 2010 vs. 2014



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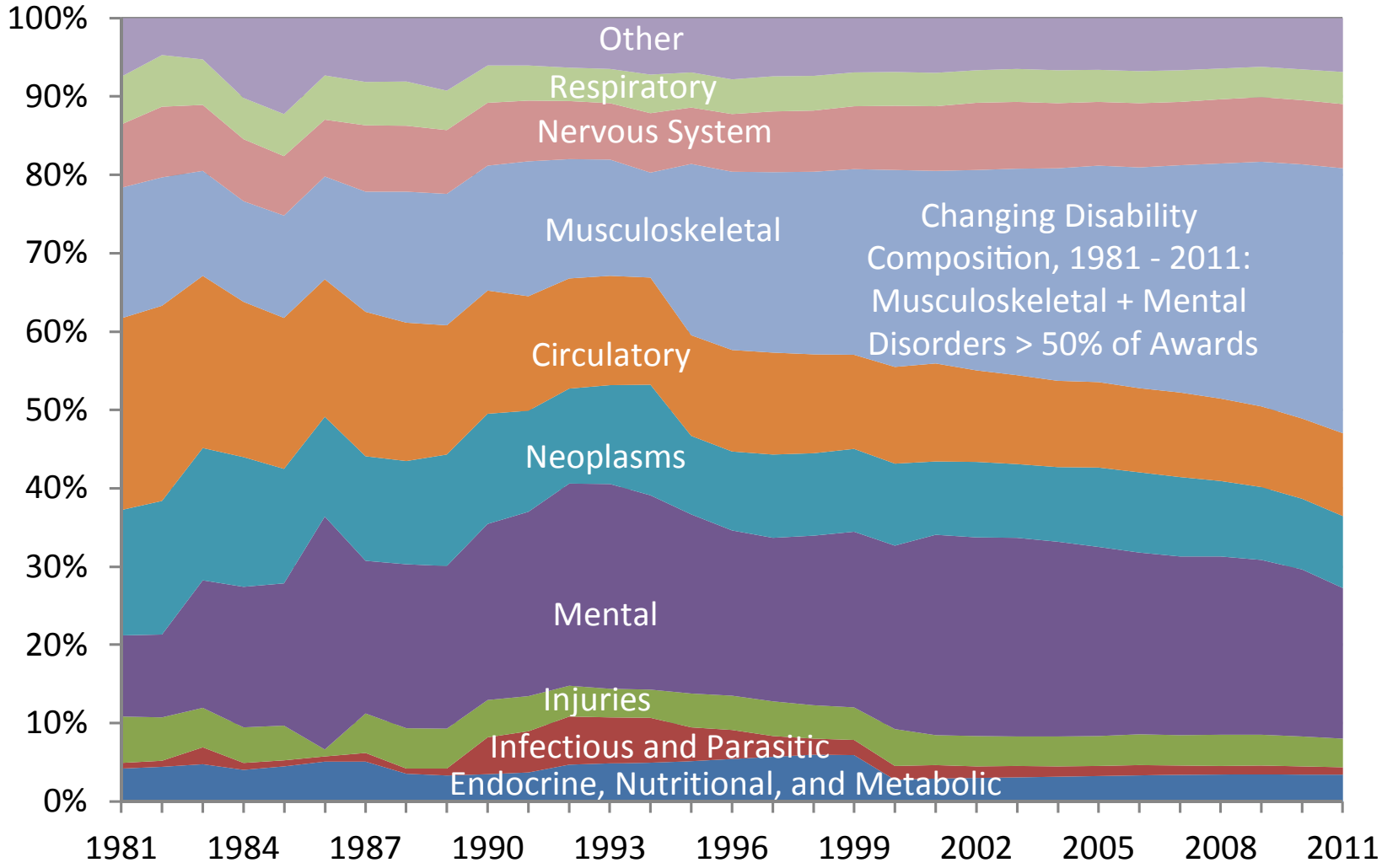

Source: Computed from the Social Security Administration, Annual Statistical Report on the Social Security Disability Insurance Program, 2011, Table 40, pp. 103-108. (Morton, Congressional Research Service, 2013)

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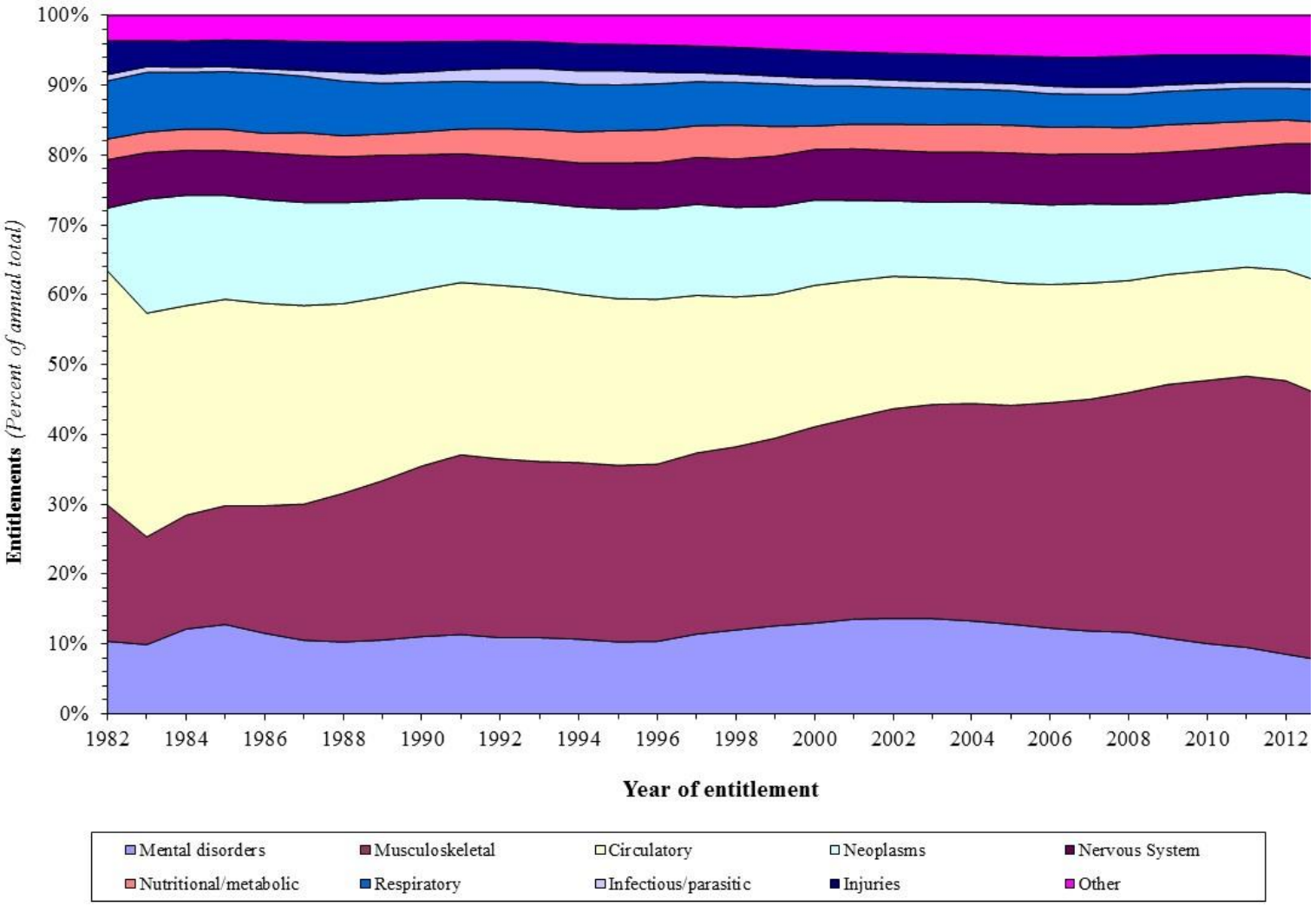
DIBs awarded through December 2014 by year of entitlemer and primary diagnosis code, ***males age 50-59 at entitlemen***



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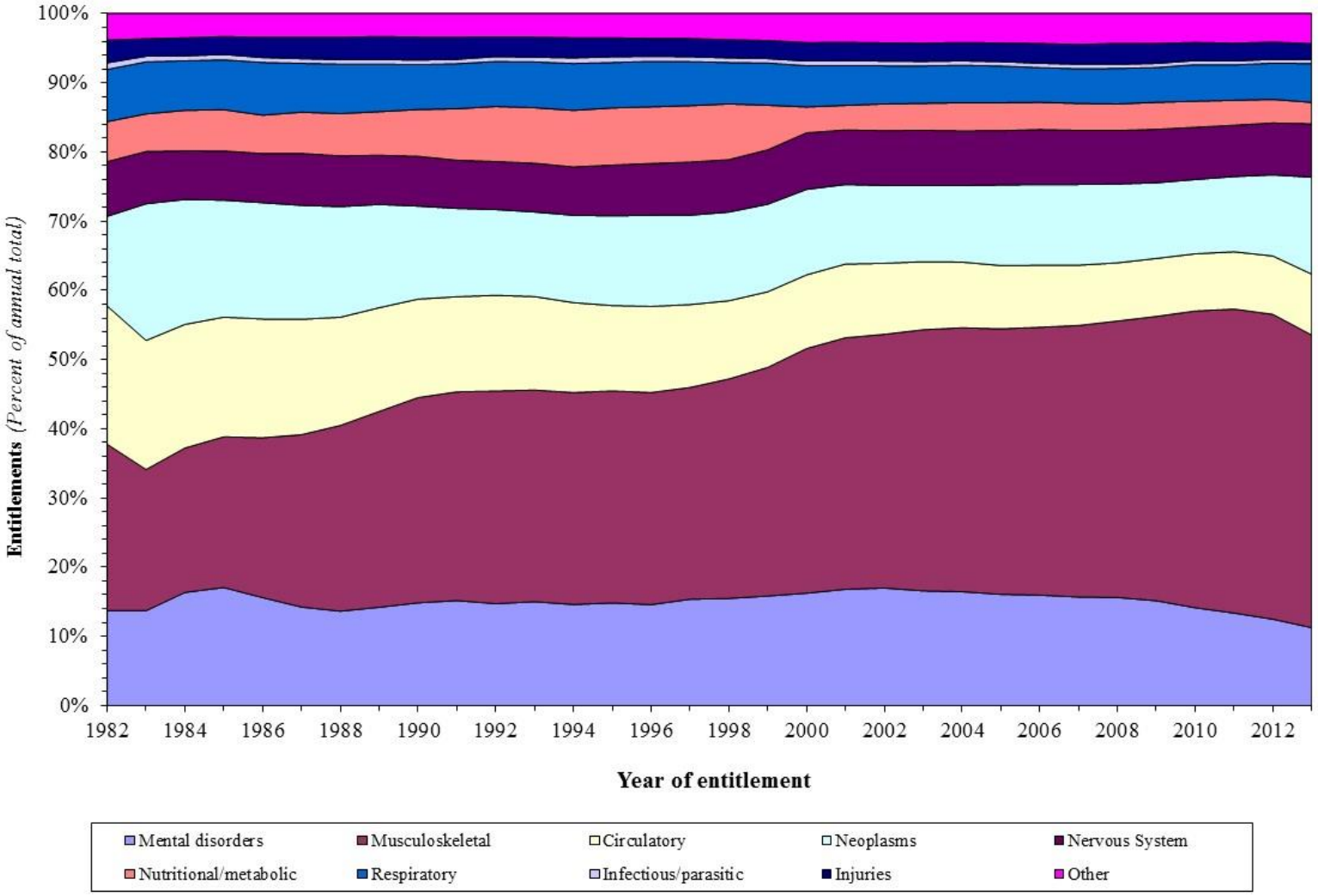

V. M-10: Consider effects of changing diagnoses (mental, musculoskeletal) on recoveries, deaths

Figure 41 updated: Percent of DI recipients age 50 or over with mental disorder or musculoskeletal disease: 1996-2013

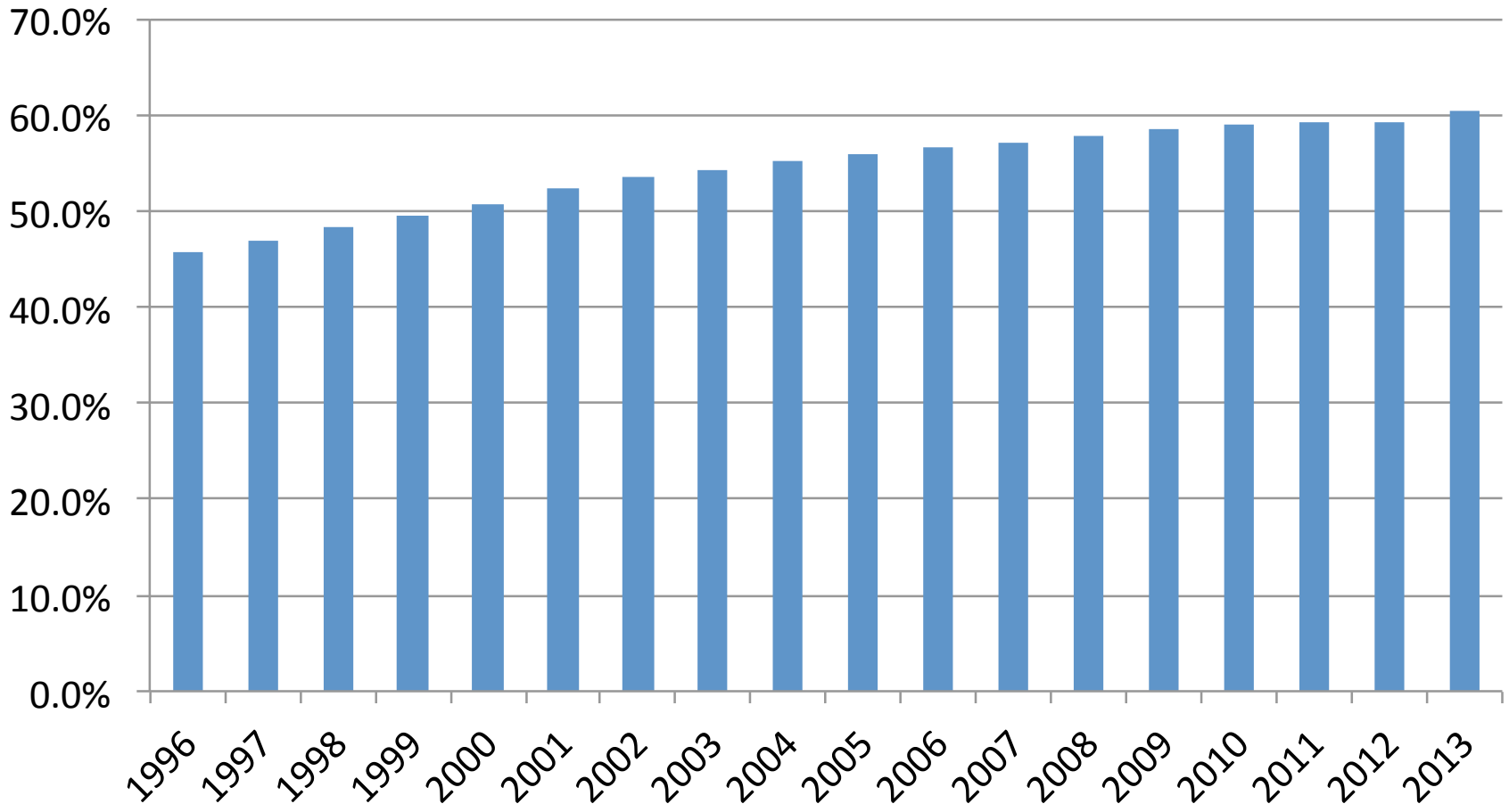

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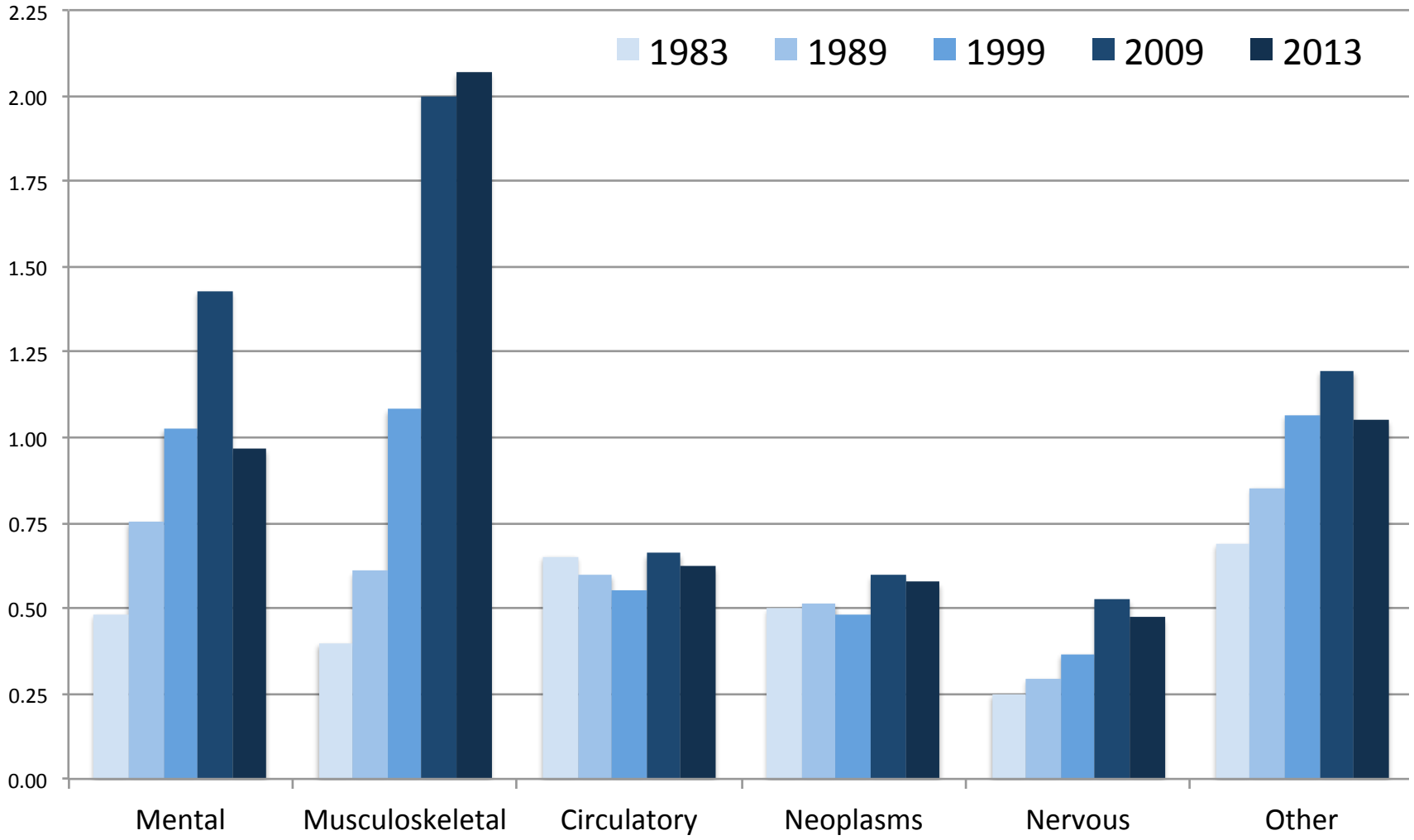
Figure 40 updated: DI Awards by Diagnosis per 1,000 DI-Insured: 1983, 1989, 1999, 2009, 2013



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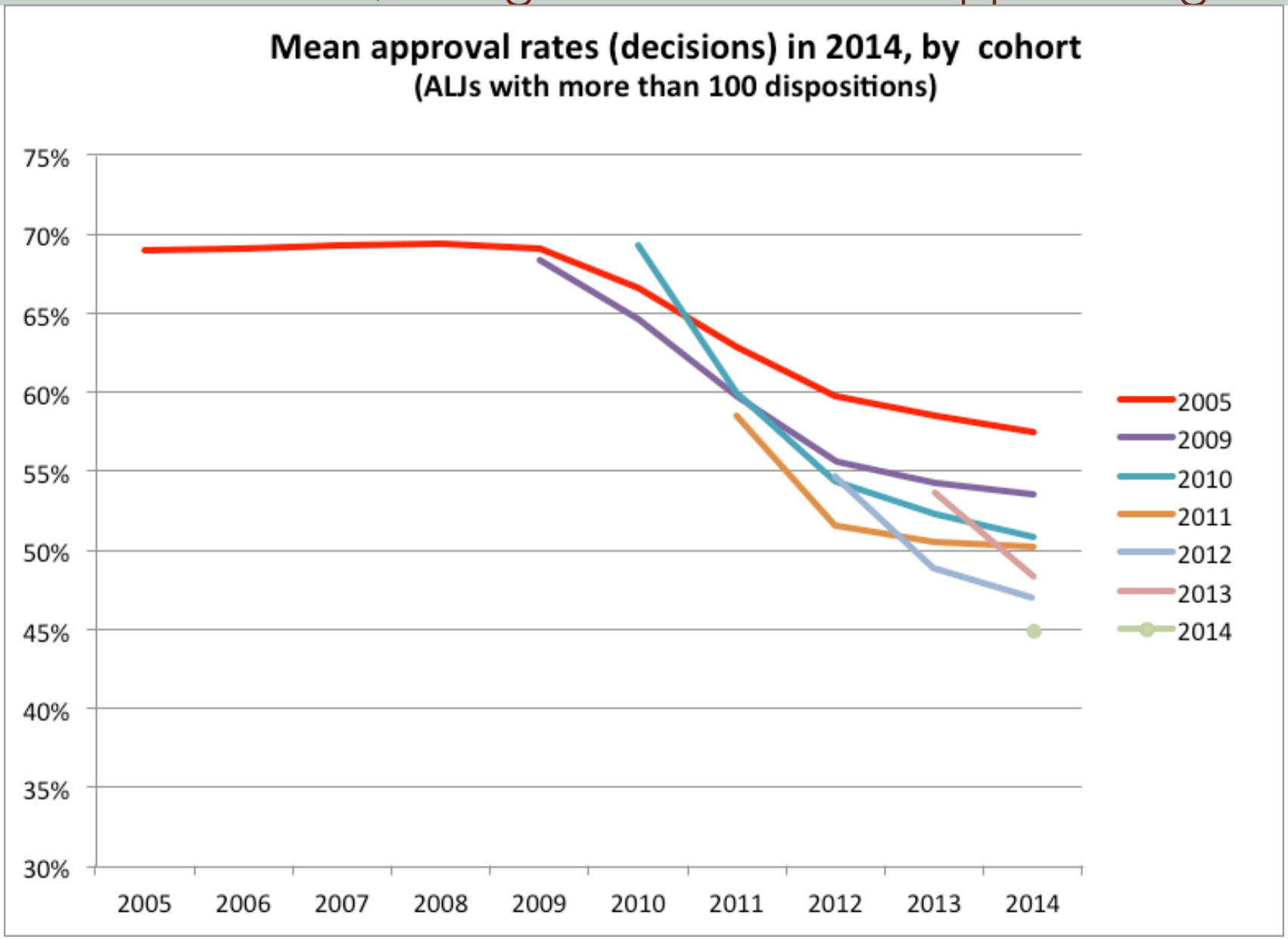
Key Sources of Uncertainty

1. Declining male employment – Double-edged sword
2. Recovery rates – Will Congress fully fund CDRs?
   - OCACT assumes yes, history says probably not
3. Implications of changing impairment mix for mortality, recoveries, SSDI spell durations
4. Legislative uncertainty
   - Will Congress change eligibility standards?
   - Will Congress mandate Performance Verification Tests and Symptom Validity Tests (PST and SVT)?
   - Will SSA change the grid? Age, occupation, education
   - Interaction of SSDI claims with rising Full Retirement Age
5. DDS and ALJ allowance rates falling rapidly
   - A stealth reform underway?

Allowance Rates: ALJ Approval Rates Dropping Across the Board, Younger Cohorts of ALJs Appear Tougher



Joel Feinleib, 2015

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